

1997 to 2.68 percent. And the President proposed full funding at the new higher rate, even though it necessitated the budgeting of an additional \$170 million.

The House-passed appropriation does not provide the necessary funding, although it does provide a slight additional amount of funding above the 1996 level. It is my understanding that the proposed Federal funding, when added to funds expected to be unused this year, will result in a 7(a) program level next year of \$6.5 billion.

On the other hand, demand is expected to be approximately \$8.5 billion, a shortfall of \$2 billion.

I believe that it is our responsibility to address this problem; we cannot simply sit back and argue that the Appropriations Committee did not provide enough money.

I would hope that as the 1997 appropriations bill moves through the Congress additional moneys could be provided—about an additional \$50 million would allow the program to fund an additional \$2 billion in guarantees. But I do not believe that we can rely upon this hope.

This program was underfunded in 1995. The result was chaos. The loan window opened and closed. Finally, OMB dictated the result: stretch the available money by reducing the maximum loan per borrower. SBA then made the necessary reduction and refused any loan in excess of one-half of the statutory maximum of \$750,000.

I believe it would be unconscionable to allow this situation to repeat itself.

I reluctantly supported the fees legislated last year. It seemed to me to be a choice between imposing the fees and denying small businesses access to a Federally guaranteed loan program.

I believe that we are confronted with the same problem this year, although on a much smaller scale. It is my understanding that an increase of  $\frac{1}{12}$  of 1 percent in the annual lender fee would generate sufficient income to restore approximately \$2 billion in guarantees.

This minute increase would amount to less than \$100 per year on the average loan, and it would decrease each year as the fee is applied to the outstanding balance of the loan which is being reduced each year.

I urge my colleagues to reconsider this very meager fee increase which was rejected by the Republican majority on the Small Business Committee.

The second program is one for small businesses in need of long-term financing for plant and equipment needs: the development company loan program or 504 program.

Under this program, the small business borrower puts up at least 10 percent, a bank provides 50 percent and receives a first lien position, and a private investor provides the other 40 percent by purchasing a debenture issued by a certified development company which is guaranteed by the SBA.

During the current fiscal year, it has been assumed that program participants were fully paying the cost of the program; the OMB approved subsidy rate was set at zero, and no appropriation of funds was necessary to support the program.

This subsidy rate will increase from zero to 6.85 percent for 1997, again as a result of the change in methodology for calculating losses in this program.

The President's budget addressed this need for Federal funding by requesting a change in

the nature of the program funding—reverting to direct Treasury funding instead of the more costly use of the debenture guarantee process. This change would be accompanied by the imposition of a fee equal to the administrative cost of selling the debentures to private investors, thus resulting in no increase in total cost to borrowers, but reducing the subsidy rate to zero.

The majority members of both the Appropriations Committee and the Small Business Committee rejected this proposed return to direct Treasury funding. And I must admit I have very serious qualms about the proposal as I see it as a temporary solution—the current use of the private markets is the long range solution and ultimately we would seek to return to it.

But when the Appropriations Committee refused to appropriate any money for the 504 program, there appeared to be only one immediate answer: impose fees, at least for 1 year.

There is agreement on most of the fee provisions—a fee of  $\frac{1}{8}$  of 1 percent to be paid by the certified development company as part of its cost of doing business; and a fee of one-half of one percent to be paid by the lender who was taking a first lien position on its one-half of the project cost.

The disagreement is over the amount of the fee to be paid by the borrower. Initially, based upon information received from SBA, I believed that an annual fee of  $\frac{13}{16}$  of 1 percent, when added to the other fees, would be sufficient to reduce the subsidy rate to zero and allow the program to operate without the appropriation of any Federal funds to pay losses.

Minutes before the Committee mark-up, however, representatives of OMB suddenly decreed that this amount would not be sufficient. Another  $\frac{2}{16}$  would be needed to reach zero.

I saw no other solution. The Appropriations' Committee was not appropriating any money. Either we would have to increase the borrower's fee to  $\frac{15}{16}$  or there would be no program. The result would not be a reduced program; the total absence of Federal funding would mean no program whatsoever, unless fee income reduced the cost to zero to equate with the complete absence of Federal dollars.

Due to Republican opposition, I withdrew the amendment. The net result: unless we appropriate Federal money, about \$21 million, or we impose further fee increases to yield the same amount, there will be no program next year. That result, to me, is completely unacceptable.

The third program is the SBIC or Small Business Investment Company program. Under this program, the Small Business Administration encourages private venture capital to be made available to small businesses who need equity capital. This encouragement is to provide Federal matching funds to private companies which are licensed by SBA as SBICs.

These matching funds, called leverage, are provided either as debentures, or long term loans, or as participating securities, a hybrid instrument under which SBA will advance amounts needed to pay interest and in return receive re-payment of the advancement plus a share of the company's profits. In either case, the debenture or participating security is issued by the SBIC, guaranteed by SBA, and sold to private investors.

For 1997, the administration requested the authority to issue \$225 million in debentures and \$400 million in participating securities. It proposed to support this request partially with appropriated funds, but primarily by the imposition of new fees as proposed by an industry task force.

The proposed fees include a one-time up front guarantee fee of 3 percent of the amount of the leverage plus an annual fee of 1 percent of the amount of debentures outstanding.

I believe that the Small Business Committee will approve the requested SBIC fees, but it has not done so to date.

Even if it approves the full fee, the House-passed appropriations bill does not provide sufficient funds to meet anticipated demand. It only would fund a program of \$150 million in debentures and \$325 million in participating securities. Both levels are too low and would result in the denial of assistance to otherwise qualified applicants.

Mr. Speaker, in conclusion, I urge my colleagues to thoroughly consider the prompt enactment of the fees proposed in my legislation and to re-consider the amount of appropriated funds which are needed to augment this funding.

#### GOLDEN EAGLE AND CORPORATE VULTURE AWARDS

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Ohio [Ms. KAPTUR] is recognized for 5 minutes.

Ms. KAPTUR. Mr. Speaker, last month, the jobs and fair trade caucus presented its monthly Golden Eagle Award to the employee owners of United Airlines, our Nation's leading airline, and our Corporate Vulture Award to Hershey foods, a company that continues to outsource its Hershey Kiss production to Mexico and downsize its American work force. The two companies, United Airlines and Hershey foods, exemplify the best and worst of corporate practices in America today.

As you will recall, the Golden Eagle Award rewards fine U.S. companies that represent the best that is in us as a nation, companies which treat their workers with dignity while making decent profits, strengthen their communities, charge a reasonable price for products, and remain and prosper in the United States. When all of these practices are undertaken by one company, that company deserves our praise and to be recognized as a Golden Eagle Co.

The Corporate Vulture Award, like the scavenger it represents, is given to a company in need of vast improvement, a company which exploits our marketplace yet downsizes its work force in America. These firms outsource most production to foreign countries, and use sweatshop labor abroad but then import these transhipped products back to the United States while keeping prices high here at home and maintaining all of the benefits of being called an American company. Corporate vultures deserve our disdain.

Today, the jobs and fair trade caucus is proud to present this month's Golden

Eagle Award to Natural Cotton Colors, a small manufacturer of naturally colored cottons located in Wickenburg, AZ. Sally Fox, the founder of Natural Cotton Colors and inventor of environmentally safe colored cotton suitable for organic farming, is quite an American.

As Sally herself has stated, the success of her company is a real Jack and the Beanstalk Story. In 1982, Sally came across brown cotton seeds in a bag and thought that she could grow and sell the brown cotton to hobbyists who hand spin yarn. A small American business was thus born. Since those humble beginnings, Natural Cotton Colors now sells environmentally safe colored cotton around the world. The company's sales over the past few years have averaged around \$5 million.

What makes Natural Cotton Colors unique is its commitment to the environment. Sally developed her own trademark, Fox Fibre, for the purpose of promoting environmentally sustainable production of cotton—while remaining profitable. In order for a textile manufacturer to be licensed to use the Fox Fibre trademark, the manufacturer must agree to abide by numerous environmental standards. Manufacturers using Fox Fibre are not allowed to use dye, bleach, or formaldehyde finish in their production. With so many multinational corporations and countries engaged in a race to lower environmental standards around the world, Natural Cotton Colors is to be strongly commended for one small company's efforts to promote a safer and cleaner environment for our children.

The story of Sally Fox and Natural Cotton Colors is truly an American story. By resisting the temptation to outsource production, Sally Fox and her company provide good jobs for American workers and farmers. When Sally receives an order for her product, Natural Cotton Colors consistently contracts out to American farmers scattered around the Midwest. Although she is able to cut costs dramatically by contracting out the company's work to cheap labor in Mexico and China, Sally Fox has remained strong in her commitment to America.

Natural Cotton Colors is only one of thousands of small businesses in America that do so much to strengthen our communities and our lives. American small businesses provided virtually all of the net new jobs created over the past 10 years. Small businesses account for 50 percent of total sales in the United States.

Many small businesses never are recognized for their achievements and their commitment to America. Today, we present the Golden Eagle Award, which includes this certificate and an American flag flown over the U.S. Capitol, to Natural Cotton Colors and Sally Fox for their commitment to the environment, and their commitment to America. Natural Cotton Colors is a small company with a big vision which we as a nation can benefit from.

In marked contrast to Natural Cotton color's efforts and commitment to remain in the United States, this month's Corporate Vulture Award is presented to the Green Giant division of Pillsbury and its parent company, Grand Metropolitan PLC. Green Giant/Pillsbury is one of many U.S. corporations that have packed their bags and set up shop in the sweatshops and killing fields of the developing world, leaving a wake of wrecked families and communities here at home in America.

In Green Giant's case, the company has shipped their contracts for fresh produce and their frozen food facilities south of the border to Mexico. A close look at virtually any supermarket's frozen food shelves will reveal packages with tiny, obscured, and ambiguous Green Giant labels indicating the food was grown or processed in Mexico or other foreign countries. Green Giant even has the audacity of naming one of their brands "American Mixtures"—a product that contains mostly vegetables grown in and imported from Mexico but packaged in America. More than 60 percent of Green Giant's broccoli and cauliflower is actually grown in Mexico.

As much as Green Giant/Pillsbury and Grand Metropolitan have tried to hide the facts, the truth is that these companies have actively downsized their American work force and sent their production abroad.

Watsonville, CA, was once referred to as the frozen food capital of the world. In the mid-1980's, the frozen food packaging industry, including Green Giant, employed 3,500 workers at its peak. Today, there are less than 1,500 workers in Watsonville employed in frozen food packaging.

Where did the jobs go? In 1993, Green Giant stated during the NAFTA debate that, and I quote, "Not a single job in Watsonville is going to Mexico." Alas, production in Green Giant's Watsonville plant, where American workers once earned from \$7.15 to \$11.50 an hour with benefits, has since been moved to Irapuato, Mexico, where workers earn 50 cents an hour without benefits. Not surprisingly, Irapuato, Mexico is the city that many now consider to be the new capital of the frozen food industry.

What do American workers and consumers receive in return? Certainly not lower prices. At my local grocery store in Toledo, OH, a 16 ounce bag of Green Giant cut leaf spinach costs \$1.66 and Green Giant cream spinach costs \$1.69. The price is the same whether the spinach was grown and processed in the United States or Mexico. There is no price differential for imported goods.

What is different though is the profit that Green Giant and Grand Metropolitan are making off moving their production to Mexico. Grand Metropolitan, which again owns Green Giant, enjoyed record sales in 50 countries last year totaling \$12.6 billion. In 1993, the year that Green Giant was not going to move any American jobs to Mexico, the

CEO of Grand Metropolitan, Sir Allen Sheppard, earned over \$1.25 million in salary alone.

Lost U.S. jobs, downward pressure on U.S. wages, high prices, and huge profits are the characteristics of a corporate vulture. And today we recognize that there are no better examples of being a corporate vulture than Green Giant and Grand Metropolitan. What a shame.

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Connecticut [Mrs. JOHNSON] is recognized for 5 minutes.

[Mrs. JOHNSON of Connecticut addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.]

#### WELFARE REFORM "NOT THIS WELFARE REFORM"

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California [Ms. MILLENDER-MCDONALD] is recognized for 5 minutes.

Ms. MILLENDER-MCDONALD. Mr. Speaker, the welfare system in this country is in desperate need of reform. The current system has created a cycle of dependency that has had a detrimental effect on our society.

For the first time in my lifetime, we are looking at third generation citizens that have never known the value of hard work and the satisfaction of bringing home a paycheck earned as a result of an honest days work.

The very nature of the term welfare reform implies that our current system is not functioning properly and is in need of modification. But in our zeal, to reform—to score political points in an election year—we must ask ourselves one very important question: Is it fair to gut this welfare program on the backs of our children?

I would submit that the welfare system as we know it today was not intended to function as it does currently. At its inception, welfare was intended to be a transitional program—a proverbial bridge over troubled waters for our citizens who had recently become unemployed, widowed, or forced to deal with some other unfortunate financial crisis.

At its inception, the current welfare program did not contain child care programs for parents who wanted to work. Nor did it provide adequate job training or job location assistance.

We now know that these elements—child care, job training, and job search assistance—are necessary if parents are going to get off of welfare and into the work force.

I recognized this and my constituents recognized this. Throughout the town hall meetings that I have had over the last few weeks I have heard again and again that welfare reform is not true reform unless it contains job training, child care, and job location assistance.

Welfare usually referred to aid to families with dependent children program, AFDC, as it is commonly referred to today, provides benefits to families with children headed by a single parent, or two parents, if one is incapacitated, or unemployed, with incomes below State-determined limits. Most adult AFDC recipients